

**Caution: DRAFT FORM**

This is an advance draft copy of a California tax form. It is subject to change and FTB approval before it is officially released.

If you have any comments on this draft form, you can submit them to us on our website at [www.ftb.ca.gov/forms/drafts/index.html](http://www.ftb.ca.gov/forms/drafts/index.html).

# Instructions for Form 593-I

## Real Estate Withholding Installment Sale Agreement

### General Information

**Registered Domestic Partners (RDP)** – RDPs under California law must file their California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status. RDPs have the same legal benefits, protections, and responsibilities as married couples unless otherwise specified.

If you entered into a same sex legal union in another state, other than a marriage, and that union has been determined to be substantially equivalent to a California registered domestic partnership, you are required to file a California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status. For more information on what states have legal unions that are considered substantially equivalent, go to our website at [ftb.ca.gov](http://ftb.ca.gov) and search for **RDP**.

For purposes of California income tax, references to a spouse, a husband, or a wife also refer to a California registered domestic partner (RDP), unless otherwise specified. When we use the initials RDP they refer to both a California registered domestic "partner" and a California registered domestic "partnership," as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

### Purpose

When California real estate is sold on an installment basis, the buyer must withhold either 3 1/3% of the total sales price or the Optional Gain on Sale withholding amount from Form 593, Real Estate Withholding Tax Statement, line 5, which is certified by the seller. However, as part of an installment agreement, the seller can ask the buyer to withhold on the principal portion of each installment payment rather than withholding the full amount at the time escrow closes. If the seller chooses this method, the buyer must agree either to withhold 3 1/3% or the installment withholding percentage specified by the seller in the seller's section on Form 593-I, Real Estate Withholding Installment Sale Agreement, on the principal portion of each installment payment. If you are the buyer and plan to withhold on the principal portion of each installment payment, complete Form 593-I, and have your real estate escrow person send the completed Form 593-I, a copy of the promissory note, and seller's certified Form 593 to the Franchise Tax Board (FTB) with the withholding on the first installment payment. If you do not complete Form 593-I and send it to us, you must withhold either the full 3 1/3% of the total sales price or the Optional Gain on Sale withholding amount on Form 593, line 5, that is certified by the seller.

Do not complete this form if you are the buyer and you do not plan to withhold on the principal portion of each installment payment. Instruct your real estate escrow person to withhold either the full 3 1/3% of the total sales price or the Optional Gain on Sale withholding amount on Form 593, line 5, that is certified by the seller. You will not have a withholding requirement on subsequent installment payments.

### Specific Instructions

#### Buyer Instructions

Complete all four parts of Form 593-I.

#### Part I – Buyer's Information

Enter your name as it is shown on the escrow instructions. Each buyer agreeing to withhold on individual payments instead of withholding the full amount at the time of sale must complete a separate Form 593-I. However, if you are purchasing the property with your spouse/RDP and both of you will be on the promissory note, then include both of your names, social security numbers (SSNs) or individual taxpayer identification numbers (ITINs), and signatures on one form. The buyer's taxpayer identification number, SSN or ITIN, is required for the agreement to be valid.

#### Part II – Seller's Information

Enter the seller's name as it is shown on the escrow instructions. Use a separate Form 593-I for each seller included on the promissory note. However, if the sellers are spouses /RDPs and both of them will be on the promissory note, then include both of their names and social security numbers or individual taxpayer identification numbers on one form. The seller's taxpayer identification number, SSN or ITIN, is required for the agreement to be valid. If the seller is electing the Optional Gain on Sale withholding amount, ask the seller to provide you the installment withholding percentage that the seller calculated in the instructions for the Form 593. Include this installment withholding percentage in the appropriate box and use this percentage as part of the calculation for withholding on the principal portion of each installment payment.

#### Part III – Installment Agreement

Attach a copy of the signed promissory note to Form 593-I (showing the installment payment required) and seller's signed certification of Form 593 (if seller elected this method), or this agreement will not be valid.

#### Part IV – Buyer's Agreement to Withhold

By signing this agreement, you agree to:

- Authorize the real estate escrow person to withhold only on the first installment payment.
- Withhold 3 1/3% or the Optional Gain on Sale withholding percentage, as specified by the seller on Form 593, on the principal portion of all subsequent installment payments.
- Give one copy of Form 593 to the seller by the 20th day of the month following the month of the installment payments.
- Send each withholding payment, along with the completed Form 593 (you need not obtain seller's signature on each subsequent and completed Form 593), to the FTB by the 20th day of the month following the month of the installment payment (see Interest and Penalties, on this page, for more information).
- Promptly inform the FTB if the terms of the installment sale, promissory note, or payment schedule change.

If you sign this agreement, make a copy of this form. Make sure you copy both sides so you will have the instructions for withholding on subsequent payments. Give the original, with a copy of the promissory note, and a completed Form 593, to your real estate escrow person. When you make subsequent installment payments, withhold 3 1/3% or Optional Gain on Sale withholding percentage, specified by the seller on Form 593, on the principal portion of each installment payment. **You must complete Form 593 for each withholding payment.** However, you do not need to obtain the seller's signature on each subsequent Form 593. When you send the withholding on the final installment payment, write "Final Installment Payment" on the bottom of Form 593.

We update our forms annually, so make certain you use the most current form. For more information on withholding on installment payments, see the instructions for Form 593 or call Withholding Services and Compliance at 888.792.4900 (toll free) or 916.845.4900 (not toll-free).

### Real Estate Escrow Person Instructions

If the buyer has agreed to withhold on the principal portion of each installment payment instead of withholding on the full amount at the time of transfer, withhold either 3 1/3% or the Optional Gain on Sale withholding percentage, as specified by the seller on Form 593, of the first installment payment. Make a copy of this form for your records. Send the completed Form 593-I, a copy of the promissory note, and the seller's certified Form 593 with the required withholding amount on the first installment payment. Refer to the Form 593 instructions for more information.

### Interest and Penalties

Interest will be assessed on late withholding payments and is computed from the due date to the date paid. If the real estate escrow person does not notify the buyer of the withholding requirements in writing, the penalty is the greater of \$500 or 10% of the required withholding. If the buyer (after notification) or other withholding agent does not withhold, the penalty is the greater of \$500 or 10% of the required withholding. If the buyer or other withholding agent does not furnish complete and correct copies of Form 593 to the seller by the due date, the penalty is \$50 per Form 593. If the failure is due to an intentional disregard of the requirement, the penalty is the greater of \$100 or 10% of the required withholding. If the buyer or other withholding agent does not furnish complete and correct copies of Form 593 to the FTB by the due date but does file them within 30 days of the due date, the penalty is \$15 per Form 593. If Form 593 is filed more than 30 days after the due date, the penalty is \$50 per Form 593. If the failure is due to an intentional disregard of the requirement, the penalty is the greater of \$100 or 10% of the required withholding.

## Additional Information

To get a withholding form or publication, or to speak to a representative, contact our Withholding Services and Compliance's automated telephone service at:

888.792.4000, or  
916.845.4900 (not toll free)  
FAX 916.845.9512

Or write to:

WITHHOLDING SERVICES  
AND COMPLIANCE  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651

For more information on requirements to file a California tax return or to get forms, call:

From within the United States . . . . 800.852.5711  
From outside the United States . . . 916.845.6500  
(not toll free)

You can download, view, and print California tax forms and publications from our website **ftb.ca.gov**.

OR to get forms by mail write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

### Assistance for Persons with Disabilities

We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments, call:

TTY/TDD . . . . . 800.822.6268

### Asistencia Telefonica y en el Internet

Dentro de los Estados Unidos,

llame al . . . . . 800.852.5711

Fuera de los Estados Unidos,

llame al . . . . . 916.845.6500  
(cargos aplican)

Sitio web: **ftb.ca.gov**

### Asistencia para Personas Discapacitadas

Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o dificultad con el habla pueden llamar al: TTY/TDD 800.822.6268